

Message Text

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E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALIAN EXCHANGE MARKET DEVELOPMENTS

PASS TREASURY AND FRB

1. SUMMARY. BALANCE OF PAYMENTS FOR FEBRUARY
REGISTERED SMALL DEFICIT OF \$39.6 MILLION. 1975 BALANCE
OF PAYMENTS THROUGH FIRST TWO MONTHS SHOWED \$310.6
MILLION DEFICIT. NET MARKET INTERVENTION DURING FEBRUARY
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WAS PLUS \$115.8 MILLION. NET MARKET INTERVENTION MARCH

1 THROUGH MARCH 17 WAS APPROXIMATELY PLUS \$97 MILLION. BANK OF ITALY REPAYMENT ON MARCH 5 OF \$500 MILLION OF GERMAN GOLD COLLATERAL LOAN, FINAL DRAWING OF APPROXIMATELY \$378 MILLION ON IMF STANDBY ON MARCH 3, AND IMI REPAYMENT DURING FIRST HALF OF MARCH OF \$100 MILLION ON 1972 EUROMARKET BORROWING WERE MAJOR RECENT ITEMS OF INTEREST. END SUMMARY.

2. MONETARY MOVEMENTS DATA FOR FEBRUARY RECORDED SMALL DEFICIT OF \$39.6 MILLION. CHANGES IN RESERVES DURING MONTH WERE DECREASE IN BOI CONVERTIBLE CURRENCY HOLDINGS OF \$24.3 MILLION, INCREASE IN COMMERCIAL BANKS NET FOREIGN LIABILITIES BY \$18.6 MILLION, DECREASE IN BOI SHORT-TERM LIABILITIES BY \$36.4 MILLION, INCREASE IN BOI MEDIUM AND LONG-TERM LIABILITIES BY \$37.0 MILLION, AND INCREASE IN BOI SDR HOLDINGS BY \$3.9 MILLION.

3. EXCHANGE MARKET INTERVENTION DURING FEBRUARY RESULTED IN NET GAIN OF \$115.8 MILLION. INTEREST PAYMENTS ON FOREIGN DEBT TOTALED \$139.5 MILLION DURING MONTH. DRAGAGNA, HEAD OF BOI FOREIGN DEPARTMENT, INDICATED THAT NET INTERVENTION FROM MARCH 1 THROUGH MARCH 17 WAS APPROXIMATELY PLUS \$97.0 MILLION. INTEREST PAID ON ITALY'S FOREIGN DEBT IN FIRST HALF MARCH INCLUDED ABOUT \$98 MILLION ON GERMAN GOLD COLLATERAL LOAN. DRAGAGNA ALSO MENTIONED THAT DURING FIRST HALF OF MARCH IMI MADE REPAYMENT OF \$100 MILLION ON 1972 EUROMARKET BORROWING OF \$750 MILLION AND THAT FIRST NATIONAL CITY BANK OF NEW YORK BRANCH IN MILAN MADE REPAYMENT OF \$50 MILLION ON EARLIER \$300 MILLION CREDIT GRANTED BY HOME OFFICE. (THIS CREDIT IS RECORDED IN SHORT-TERM POSITION OF COMMERCIAL BANKS.)

4. BALANCE OF PAYMENTS DEFICIT FOR FIRST TWO MONTHS 1975 OF \$310.6 MILLION FINANCED BY DECREASE IN BOI FOREIGN EXCHANGE ASSETS OF \$378.3 MILLION, INCREASE IN SDR HOLDINGS OF \$6.5 MILLION, INCREASE IN BOI SHORT-TERM LIABILITIES OF \$18.1 MILLION, INCREASE IN BOI MEDIUM AND LONG-TERM LIABILITIES OF \$56.3 MILLION, AND DECREASE IN NET SHORT-TERM BORROWINGS OF COMMERCIAL BANKS OF \$135.6 MILLION.

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5. ON MARCH 17, FOLLOWING FINANCIAL RATES PREVAILED: LIRA EXCHANGE RATE WAS 631.50 LIRE PER DOLLAR, THREE-MONTH FORWARD RATE WAS 642.25 LIRE PER DOLLAR, WEIGHTED AVERAGE DEVALUATION OF LIRA, ACCORDING TO BOI INDEX, WAS 21.65 PERCENT COMPARED TO FEBRUARY 9, 1973 PERIOD, BLACK MARKET RATE IN MILAN WAS 640 LIRE PER DOLLAR, THREE-MONTH EUROLIRA INTEREST RATE WAS 13 1/2 PERCENT, LIRA INTERBANK FORTY-EIGHT HOUR RATE WAS 11.8125, AND LIRA INTERBANK THREE-

MONTH RATE WAS 12.375. VOLPE

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